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I propose this morning to start with some general remarks on Southeast Asia as a region --- assuming that the individual country briefings are providing you with ^{more} ~~the~~ detailed information on each one's economic potential and problems.

The usual concept of Southeast Asia is the seven mainland and two islands countries that lie South of China and East of India -- thus Burma, Thailand, Cambodia, Laos, Vietnam, Malaysia, and Singapore on the mainland, and Indonesia and the Philippines off the Southern Coast of Asia.

These lands contain about 1 and 2/3 million square miles, of which 17% is agricultural land. (cf. U.S. 20%; Japan 19%; China 11%). The population is estimated this year at 226 million with a relatively rapid growth rate of 3%.

Thus we have a population greater than the U.S. on a little more than $\frac{1}{2}$ of the land area of the U.S. --- and the land is, of course, much less favorably endowed than the U.S. Nevertheless, the land-population balance is not unfavorable, and except for pockets like Java and Central Luzon, population pressure is not great -- as yet.

These countries are poor; their per capita¹ gross national product ranges from \$70 for Burma to over \$400 for Singapore --- the average for the region is probably slightly over \$100 per head. In spite of their poverty they have the resources to feed themselves --- the world's leading rice exporters are here --- Burma and Thailand. Cambodia and normally South Vietnam are also rice exporters, and the net exportable surplus of rice from the area runs as high as 2,000,000 tons in a good year. They

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export 90% of the world's natural rubber, about 60% of its tin, and 84% of its coconut products --- as well as significant amounts of petroleum. Their major import needs are textiles, and the significant products of the industrialized world --- machinery and transportation equipment.

Foreign aid is an old story in Southeast Asia. Since 1946, nearly \$10 billion has been extended in economic aid to these countries --- over $\frac{1}{2}$ from the United States, about 1/10 from the Communist World, and the Balance from the rest of the Free World (including International Lending organizations \$477 million and Japanese reparations - *over \$1 billion.*)

With this background of heavy aid receipts from the U.S. already, the question could well arise --- "What's so different about the President's April 7 offer of a billion-dollar investment of additional aid to this area.?"

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In the first place, most of our aid so far has been bilateral --- from the U.S. to the individual country concerned. The evolving program is to be heavily multilateral --- donations from a number of countries to projects aimed at the region as a whole --- or significant parts of it. All the planning and effort since April has stressed the multilateral aspects of our new approach.

In the second place out previous economic aid programs have necessarily been largely holding operations. With some exceptions investment in long-term economic development has had to be subordinated to programs aimed directly at the threats of insurgency and financial instability and lack of internal security. The President's proposal and the planning efforts which have followed it are not substitutes for these necessary programs.

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in which economic development can be emphasized and in which, hopefully, these countries can make some economic and social progress and cease to be dependant on foreign assistance in order to be viable.

For these two reasons then --- the desire for a multilateral approach and an emphasis on economic development rather than immediate security needs, the present effort, headed by Mr. Eugene Black and supported by a small staff in AID (the Office of Far East Regional Development in the Bureau for the Far East) is concentrated along two lines:

(1) Support for the ECAFE^{*} projects for the development of the Lower Basin of the Mekong River.

and

(2) Active participation in the proposed Asian Development Bank.

**Economic Commission
for Asia and the Far East*

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To take up the Mekong River project first --- this is an elaborate scheme to harness the third largest river in Asia. Its purpose is water resource management --- an Asiatic TVA aimed at the production of hydro-electric power, land reclamation through irrigation, flood control, and improvement of navigation.

It is managed by the Mekong River Committee, consisting of the four riparian states. ^(Thailand, Laos, Cambodia & S. Vietnam) \$93,000,000 has been pledged so far by these four countries, 21 additional donor countries and several UN agencies and private foundations --- the U.S. has put up about 1/5 of the money.

The planners are thinking big --- 5 main stream projects are planned; 3 more are possible; as many as 12 tributary projects have been discussed. Total cost estimates range up to \$7 billion dollars.

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Present status is that two tributary projects in northeast Thailand,

Nam Pong and Nam Pung, are nearing completion. Pledges are being collected for the first stage of the Nam Ngum hydroelectric project in Laos. Estimated cost of the first stage is \$26,000,000 --- of which the U.S. has agreed to put up half.

The second major activity that we have been promoting is the Asian Development Bank. The U.S. attitude was originally one of reserve when the Bank proposal was put forward in March at the ECAFE meeting in New Zealand. But since the President's speech of April 7 we have moved towards active participation. The U.S. has offered to subscribe \$200 million of the proposed \$1 billion share capital and has been pressing other advanced countries to make appropriate contributions.

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Plans for establishing the Bank have moved ahead fairly smoothly. A 31-nation meeting in Bangkok last month drew up a charter, which is expected to be ratified early in December by a Ministerial Conference in Manila. To the surprise of many, the Soviet Union was represented at the Bangkok meeting. The representatives were not obstructionist, and the impression ~~seemed~~ ^{seemed} to be that the USSR would be cooperative --- altho not likely to make a capital subscription.

The Bank's region of operation - like ECAFE itself - runs from Korea to Iran

Since the Bank will cover a much wider region than we are concerned with and since it will be primarily a "hard loan" bank, the U.S. has put forward a proposal for a Southeast Asia Regional Development Fund, to be administered by the Bank, which would be focussed on this particular region and on the promotion of the type of project that might not meet "hard loan" criteria; the U.S. has offered to put up \$100 million for this purpose.

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